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Chairman: Mr. SENGWE (Zimbabwe)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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The meeting was called to order at 7.15 p.m.

AGENDA ITEM 116: PROGRAMME BUDGET FOR THE BIENNIUM 1996-1997 (continued)

First performance report (A/51/7/Add.6; A/C.5/51/38)

AGENDA ITEM 112: REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS (continued)

Proposed programme budget outline for the biennium 1998-1999 (A/51/289 and A/51/720)

1. Mr. TAKASU (Controller), introducing document A/C.5/51/38, said that the purpose of the first performance report, which was submitted in the first year of the biennium, was to identify adjustments which might be necessary owing to variations in the rates of inflation and exchange and in standards assumed in the calculation of the initial appropriations, thus ensuring that appropriations were neither overstated nor understated and that Member States were assessed appropriately.

2. The performance report also took into account the adjustments proposed by the Secretary-General in his report submitted in response to General Assembly resolution 50/214 (A/C.5/50/57/Add.1). In that resolution, the Assembly had requested the Secretary-General to submit proposals of possible savings with a view to reducing the total level of expenditure in 1996-1997 to $2.608 billion. In his report, the Secretary-General had proposed adjustments totalling $154 million. The assumptions made in that report remained valid and there had been no significant developments that would warrant revisions of the amounts included in it.

3. The performance report was submitted also in response to General Assembly resolutions 50/231 and 50/232, in which the Assembly had requested the Secretary-General to submit, no later than 1 September 1996, proposals on possible means of absorption of special missions mandated after the initial budget had been approved. In document A/C.5/50/57/Add.1, the Secretary-General had indicated that he would be in a better position to submit the requested proposals in the context of the first performance report, since the question of possible means of absorption would be dependent on a number of factors, including recosting.

4. Paragraph 5 of the report contained a breakdown of the estimated revised requirements. First, it identified a $154 million reduction from the level of expenditure approved by the General Assembly at the previous session ($2.762 billion). While the average vacancy rate for the 1996-1997 biennium could only be determined at the end of the biennium, the level of vacancies that had been experienced so far was not expected to yield savings of a different magnitude than had been envisaged. The requirements for additional mandates and unforeseen expenses during 1996 amounted to $30.8 million. In addition, under the terms of General Assembly resolution 50/217, the Secretary-General was authorized to enter into commitments of up to $5 million per year for activities

relating to the maintenance of peace and security; within that authorization, the Secretary-General had entered into commitments totalling $3 million.

5. The next set of revised estimates involved variations in budgetary assumptions, or recosting. First, with regard to exchange rates, the Swiss franc had fallen significantly against the United States dollar over the course of the year, from Sw F 1.18 to $1 at the time of the preparation of the initial budget to Sw F 1.29 to $1 in December 1996. While the Board of Auditors had recommended that the exchange rate used in recosting should be the average exchange rate, the Advisory Committee on Administrative and Budgetary Questions (ACABQ) had traditionally recommended that a more favourable rate should be used, either the most recent or the average rate. The use of the rate most favourable to Member States, namely, the average exchange rate (1.22 Swiss francs to $1), had yielded savings of $60 million, most of which would be realized in 1997. Changes in inflation assumptions had resulted in an additional expenditure of $5 million, and adjustments to standard salary costs based on actual payroll data had resulted in an additional $3 million. Overall, therefore, savings of $52 million had been identified.

6. The revised estimates also took into account the recommendation of the International Civil Service Commission (ICSC) for a $15.5 million increase in net base salaries beginning in March 1997, to be offset by a $3.2 million reduction in staff assessment, which resulted in an additional expenditure of $12 million. As indicated in paragraphs 25 to 28 of the report, however, that amount might be adjusted in the light of a forthcoming decision by the General Assembly regarding the United Nations common system. The revised programme budget total, starting from the proposals contained in document A/C.5/50/57/Add.1, and taking into account the additional mandates and savings came to $2.602 billion.

7. Paragraph 6 of the report outlined the additional programme budget implications of the revised estimates, totalling $4.5 million. In addition, it was anticipated that a number of resolutions yet to be submitted to the General Assembly would give rise to programme budget implications preliminarily estimated at $17 million. If the General Assembly approved the use of the contingency fund for the International Seabed Authority, the amount subject to the fund would be $2.7 million. As noted by the Assembly at the previous session, the level of the contingency fund remained at $19 million.

8. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing document A/51/7/Add.6, said that, as indicated in paragraph 2, the current estimates of revised requirements for the biennium 1996-1997 amounted to $2.602 billion. Paragraph 10 referred to additional programme budget implications amounting to $4.5 million. Of that total, an amount of some $400,000, relating to the Central American peace process, was not covered by the contingency fund. The General Assembly would need to decide on the treatment of $2.7 million in respect of the International Seabed Authority. In addition, the Secretary-General had given a preliminary estimate of $17 million for additional mandates, as referred to in paragraph 11, and the items to which that amount related were indicated in section B of the annex.

9. At the current meeting, the Advisory Committee had received estimates for peacekeeping missions in Guatemala ($7.1 million, detailed in forthcoming document A/C.5/51/41), El Salvador ($408,000, detailed in forthcoming document A/C.5/51/42) and Afghanistan ($3.23 million, detailed in forthcoming document A/C.5/51/40). The Advisory Committee had yet to receive estimates for the International Civilian Mission to Haiti (MICIVIH). Accordingly, out of that $17 million, the Advisory Committee had received estimates totalling $10.7 million.

10. The Secretariat needed to clarify the relationship between the figure of $17 million and the balance of $92 million which had been communicated to the General Assembly at the end of the fiftieth session. As noted in paragraph 9 of the report, $30.9 million of that amount had already been used, leaving a balance of $60.1 million.

11. Another item to be clarified, as indicated in paragraph 12 of the report, related to conference services. The Secretariat had submitted a series of documents on additional meetings to be added to the calendar of conferences (A/C.5/51/22 and Add.1 and 2), and should indicate whether the information contained in those documents would lead to additional conference-servicing requirements, and whether any resolutions adopted by the Main Committees of the General Assembly involved additional conference-servicing requirements not covered in the documents mentioned.

12. The Advisory Committee's recommendation on the first performance report (A/C.5/51/38) was contained in paragraph 21 of its report, which indicated that, subject to the comments made by the Advisory Committee and the issues requiring further clarification, the revised appropriations should be adopted by the General Assembly after those issues had been addressed by the Secretary-General and considered by the Assembly.

13. Mr. TAKASU (Controller), introducing document A/51/289, said that the presentation of the proposed programme budget outline was part of the budget process defined by the General Assembly in its resolution 41/213. Since the adoption of that procedure, four such outlines had been submitted. The purpose of the outline was to allow for greater involvement of Member States in the budget process at the earliest possible stage, so that the budget eventually presented by the Secretary-General would be most likely to be adopted by consensus.

14. The proposed programme budget outline consisted of four elements: a preliminary estimate of resources to accommodate the proposed programme of activities during the biennium; priorities, reflecting general trends of a broad sectoral nature; real growth; and the size of the contingency fund. It should be borne in mind that the outline was not a budget, but a preliminary estimate of the probable level and allocation of resources. A detailed programmatic analysis based on that estimate would be forthcoming only after a decision had been taken by the General Assembly. The Secretariat urgently required guidance from Member States in order to finalize its budget proposal early in 1997.

15. A new feature of the outline was the inclusion of estimates relating to special missions. In the context of the 1994-1995 outline, the Secretary-

General had proposed that anticipated preventive diplomacy and peacemaking missions should be included in the initial budget. On the recommendation of ACABQ, the General Assembly had decided not to adopt that suggestion, because the existing budget procedure provided sufficient protection for unforeseen situations. While that had been true during the 1994-1995 biennium, the situation was different in the current biennium. Thus, the Secretary-General had proposed that an amount of $70 million should be set aside as a provision for special situations not mandated at the time of the adoption of the budget, but later included by decision of the General Assembly, in order to avoid situations such as those which had developed following the adoption of General Assembly resolutions 50/212, 50/214 and 50/222. What was involved was not a technical issue, but a political one; the Secretariat was seeking guidance as to whether it should pursue the course of action outlined.

16. The outline contained a proposal to reduce the overall level of expenditure by approximately $205 million, or 8 per cent of the budget, without giving a breakdown of the proposed cuts. The Secretariat requested Member States to indicate whether a resource reduction of that magnitude would be acceptable; if so, the Secretariat would develop a detailed budget proposal for achieving that target. While no prior assumptions had been made regarding the number of posts to be eliminated, a reduction of 8 per cent in real terms meant that even maintaining a high vacancy rate of 6.4 per cent would not be sufficient, and that additional savings would need to be found.

17. The change in estimated resources also reflected the proposal that some of the cost estimates which were jointly financed could be presented on a net rather than gross basis, as indicated in paragraph 7. While the United Nations regular budget would continue to provide the totality of the resources, appropriations would be sought on a net basis. The proposed change in presentation would lead to a reduction of $43.2 million, which, however, would have no impact on Member States, because the reduction would be offset under the income section of the budget.

18. Programme managers were being requested to review the impact of deferred and postponed activities, together with activities to be implemented during the next biennium, within the amount that could be accommodated under the proposed outline.

19. While real growth could be calculated in a number of ways, the simplest method was to calculate the actual difference between the initial appropriations for 1996-1997 ($2.608 billion) and the preliminary estimate for 1998-1999, at 1996-1997 prices ($2.429 billion), which represented a reduction of $178.9 million, or 6.9 per cent.

20. Lastly, in the past four outlines, the size of the contingency fund had been set at 0.75 per cent of the overall level of resources. For 1998-1999, however, in the light of recent experience, the Secretary-General had proposed that the level of the fund should be reduced to 0.25 per cent, representing $6 million.

21. As the outline had been prepared in August 1996, pursuant to the General Assembly's request, it had not been possible to take into account exchange rate

variations since December 1995; only the impact of inflation for 1998-1999 had been considered. It was anticipated that, after recosting, the outline would be around $2.559 billion, which was roughly equivalent to the initial appropriations for 1996-1997. If, however, the exchange rate used in the first performance report (A/C.5/51/38) was taken into account, together with the inflationary expectations for 1998-1999, the preliminary estimate, for 1998-1999, would amount to $2.498 billion, which represented a nominal reduction of 5 per cent from the initial appropriations.

22. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of the Advisory Committee (A/51/720) on the proposed programme budget outline for the biennium 1998-1999, said that, in the Advisory Committee's view, the report on that subject submitted by the Secretary-General attempted to change existing methodology and practice in a number of areas without providing full explanations. In the circumstances, it had been difficult for the Advisory Committee to arrive at definitive recommendations in the absence of further policy proposals from the Secretary-General and guidance from the General Assembly. Moreover, the Advisory Committee pointed out that some of the Secretary-General's projections appeared to be arbitrary, since they lacked adequate justification.

23. The current budgeting procedure of the United Nations was to include in the budget the resources needed to implement policies and decisions already adopted by the various intergovernmental bodies. The budget document, or the outline, was not meant to be a vehicle for changing existing policies. However, the proposed programme budget outline before the Committee represented an attempt to do just that. The Advisory Committee had therefore requested the Secretary-General to submit policy proposals separately, as indicated in paragraph 5 of its report. The Advisory Committee had requested submission of a separate paper on the Secretary-General's proposals with respect to budgeting for jointly financed activities (para. 7 of the Secretary-General's report). With respect to the reduction of $204.7 million and its effect on implementation of programmes and activities, the Advisory Committee had expressed a number of reservations and doubts which were reflected in paragraphs 8, 9 and 10 of its report.

24. In its 1994 report (A/49/796), the Advisory Committee had requested the Secretary-General to submit information on the nature of the expenses charged to the contingency fund, in order to enable the Advisory Committee to review procedures for the use, operation and level of the fund. That recommendation had been endorsed by the General Assembly in paragraph 3 of its resolution 49/217, but the requested information had not yet been submitted. Instead, a change in the amount of the fund was being proposed. With regard to the proposed level of $6 million, the Advisory Committee believed that at a time when proposals for a considerable reduction in the budget were being made, the Secretariat should ensure that there was some flexibility for accommodating additional mandates in accordance with the procedure laid out in General Assembly resolution 41/213. The Advisory Committee did not believe that it was prudent for the Secretariat to use only one year of experience with the contingency fund to determine the level of that fund for 1998-1999.

25. The Advisory Committee recommended that the General Assembly take note of the outline, subject to the provisions of paragraph 17 of document A/51/720 and pending submission of the information called for in paragraph 18 of its report.

26. Ms. CHAVES (Costa Rica), speaking on behalf of the Group of 77 and China, said that the budget performance report (A/C.5/51/38) indicated that savings of $154 million could be achieved through a significant increase in the vacancy rate, but that had not been the decision of the Member States when they had approved the budget for 1996-1997. Moreover, the Group of 77 and China regretted that the programme performance report called for in resolution 50/214 had yet to be submitted, and that it was therefore impossible to ascertain the impact of those savings on the implementation of mandated programmes and activities.

27. The Group of 77 and China were willing to consider the projected vacancy rates for the 1996-1997 biennium, with the following provisos: that the Secretary-General should not exceed those rates and should certify at the end of the biennium that all mandated programmes had been fully implemented; that those rates had been accepted by the General Assembly on an exceptional basis, and should not set a precedent for any future budgets; and that they should not be used to accommodate any additional unfunded mandates in the overall level of appropriations.

28. The Group of 77 and China called upon the Secretary-General to use benefits accruing from favourable exchange rates in the first place to restore activities which had been reduced or deferred, and insisted upon strict implementation of the budgetary procedure laid down in General Assembly resolution 41/213 regarding the use of the contingency fund for financing new mandates not related to peace and security.

29. With regard to involuntary separation of staff, the Group of 77 and China proposed that the draft resolution to be submitted by the Committee to plenary should provide inter alia that involuntary separation would not be used for the purpose of achieving savings, and that the redeployment exercise would not result in involuntary separations of staff.

30. With respect to the proposed budget outline for the 1998-1999 biennium, the Group of 77 and China were yet to be convinced that all mandated programmes and activities could be fully implemented at the levels proposed. In the absence of any explanation of how further savings of $204.7 million were to be made or how they would affect the mandates, that amount must be restored in the budget outline. Moreover, as the bulk of the 1,000 posts to be eliminated during the biennium 1998-1999 were already unfunded and would therefore release very little in the way of resources, the Group of 77 and China questioned the need for the reduction. Nor could they agree to maintaining a vacancy rate of 6.4 per cent without clear justification.

31. The Group of 77 and China endorsed the Advisory Committee's recommendation that the level of the contingency fund should be maintained at 0.75 per cent of the overall level of resources, recosted at 1998-1999 rates, and called upon the Secretary-General to request resources sufficient to ensure the full implementation of mandated programmes and activities.

32. Mr. FARID (Saudi Arabia) said that his delegation supported the views expressed by the Group of 77 and China, and requested clarification from the Secretariat regarding the 1,000 posts mentioned in paragraph 8 of the Advisory Committee's report (A/51/720) as being largely unfunded, and regarding the method used by the Secretariat to arrive at its proposal of 0.25 per cent for the percentage of the overall level of resources to represent the contingency fund for the biennium 1998-1999.

33. Ms. RODRIGUEZ (Cuba) requested that the statement of the Controller should be distributed in writing to Member States, and that the information requested by the Advisory Committee in paragraph 18 of its report (A/51/720) should be made available to delegations during the forthcoming informal consultations.

34. Mr. KUZNETSOV (Russian Federation) said that, under the current budget procedure, the budget outline was intended to provide a preliminary estimate of the resources which might be required in the following biennium, and was therefore largely indicative in nature. He was of the view that the budget prepared on the basis of the outline should only exceed the level of the outline as a result of very serious and politically balanced analysis.

35. Paragraph 5 of document A/51/289 referred to possible reductions in the amount of $204.7 million, or nearly 8 per cent of the budget, without giving any clear information or even a preliminary indication of the areas in which such savings might be achieved. In that context, he shared the views of the Advisory Committee; if the General Assembly was to be able to take a balanced and thoughtful decision on the proposal, it must, at the very least, have some guidelines in that regard.

36. While agreeing with the Controller that any budget cuts should be subject to the decision of Member States, he also believed that the Secretariat should not stand on the sidelines in that process, especially as the Secretariat itself had taken the initiative of proposing a specific target for reductions. Guidance from the Secretariat would enable Member States to decide on how to trim expenditures without adversely affecting the Organization's programme of activities.

37. The analysis of budget performance over the past few years, especially in the light of the unforeseen requirements connected with special missions, underscored the soundness of the Secretary-General's proposal to include an amount of $70 million to cover such expenditures. While that proposal represented a certain departure from established practice, it was in keeping with current realities. As to the means of financing such a proposal, his delegation's position on the question was flexible, and he believed that it could be discussed in greater detail in informal consultations.

38. In paragraph 12 of document A/51/289, the Secretary-General proposed that the contingency fund should be set at 0.25 per cent of the overall level of resources for the biennium 1998-1999, or $6 million. While he was prepared to support that proposal, he found the arguments in its favour to be less than satisfactory, especially in the light of the Advisory Committee's comments. The question required further study and should be addressed in greater detail during the consideration of the actual budget proposals.

39. Mr. GELBER (United States of America) noted that while provision had been made in the budget outline for the effects of inflation, no provision had been made for absorbing potential cost increases relating to exchange rate fluctuations. The Secretary-General should offer alternatives for dealing with such fluctuations in the 1998-1999 budget that would ensure that they would not adversely affect negative nominal growth, and should include the $70 million for possible special missions in the overall outline level, with the understanding that it would not be appropriated or assessed until the relevant legislative bodies had mandated continuation of the activities in question into the 1998-1999 biennium.

40. He supported the proposed $6 million level of the contingency fund, on the understanding that, when added to the projected total expenditures, that amount would yield a sum less than $2.608 billion. In general, additional expenses should continue to be met by efficiency savings, current budget offsets, or offsets from the elimination of marginal or obsolete programmes.

41. The Secretary-General should include net expenditures for all jointly financed activities, and should calculate the proposed outline level of reimbursable costs in the same way as in prior years. The final budget outline level should reflect recosting at 1996-1997 rates and take account of actual expenditure data for 1996. It was also especially important to streamline and consolidate the United Nations staffing pattern, and to ensure that an adequate level of resources would be made available for the Office of Internal Oversight Services.

42. He read out a statement by United States Senator Grams reiterating the concerns of the United States Senate that a no-growth budget should be maintained for the current biennium and that the 1998-1999 budget should reflect negative nominal growth.

The meeting rose at 8.45 p.m.